

October 3, 2016

Nathan Payne, Editor  
Traverse City Record Eagle

Dear Editor,

The Record Eagle editorial of Oct. 3 on unfunded pension liabilities missed some important points and contained inaccurate statements. We appreciate the opportunity to set the record straight.

The Municipal Employees' Retirement System of Michigan has a proven record of informing municipalities of fiscal best practices so they can make the best decisions to fund employee retirement benefits.

Our elected board is committed to transparency, accountability and fiduciary responsibility. We follow Michigan law and prudent standards of diligence, and maintain strict oversight and management. As the plan fiduciary, we put our members first.

To help our customers plan for the future, each year MERS provides a detailed actuarial report that includes budget projections. The most recent report includes fiscally responsible changes that were made to our funding policy to ensure adequate funding but allowed municipalities to phase-in the increased costs of the changes over a five-year period.

MERS makes investment rate of return assumptions that represent the long view of funding employee retirement benefits. While we have consistently outperformed benchmarks and market averages, we do provide various investment scenarios to our customers to give them the tools to be more conservative if it better suits their needs. In fact, our 35-year rate of return is 9.43%, well above our assumed 7.75% assumption.

Many municipalities have chosen to make additional payments to their retirement plans. So far this year, 223 municipalities across the state have made additional contributions. In the last five years, 73% of MERS municipalities have taken proactive steps to manage their benefit commitments by lowering their costs or closing their funding gaps. While contributing more or lowering liability requires tough decisions, many in Michigan have taken these steps.

We recognize that every municipality is different and that some plans may need additional time to reach full funding levels. While we strongly suggest alignment with our best practice funding policy, the MERS Retirement Board has approved an option for groups to extend their amortization period based upon results of a sustainability analysis.

Despite talk of a so-called "pension crisis," some municipal plans are very well funded, some are poorly funded and most are somewhere in the middle. In fact, out of the 869 municipal pension plans across the state, 40% of the total liability comes from only 10 plans.

This is a complex public policy issue that needs to be addressed with great care to safeguard tax dollars and public retiree benefits. The retirement of Michigan's municipal workers is too important to trivialize with broad assumptions, myths and sound bites.

MERS will continue helping each municipality address its unique challenges without a one-size-fits-all solution.

A handwritten signature in blue ink that reads "Chris".

**Chris DeRose**  
**Chief Executive Officer**

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